

VAN BUREN DISTRICT LIBRARY

Report on Audit of Financial Statements
For the Year Ended
December 31, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Van Buren District Library	County Van Buren
Fiscal Year End 12-31-06	Opinion Date 2-2-07	Date Audit Report Submitted to State 3-14-07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

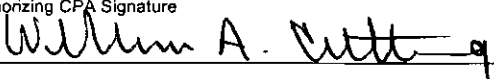
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☒ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☒ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☒ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☒ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☒ The audit opinion is UNQUALIFIED.
13. ☐ ☒ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Cutting & Cutting, P.C.		Telephone Number	
Street Address 303 Paw Paw Street, Suite 4		City Paw Paw	State MI
		Zip 49079	
Authorizing CPA Signature 	Printed Name William A. Cutting	License Number 1938	

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February 2, 2007

INDEPENDENT AUDITOR'S REPORT

To the Van Buren District Library Board
Decatur, Michigan

We have audited the accompanying financial statements of Van Buren District Library as of December 31, 2006, and for the year then ended. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the Library's governmental activities are not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Van Buren District Library, as of December 31, 2006, or the changes in its financial position for the year then ended.

Cutting & Cutting, P.C.

COMBINED BALANCE SHEET-ALL FUND TYPES AND ACCOUNT GROUPS-CASH BASIS
VAN BUREN DISTRICT LIBRARY
December 31, 2006

Assets	General Fund	Special Revenue Funds	Capital Projects Fund	General Long Term Debt	Total (Memorandum Only)
Cash and equivalents	\$ 255,251	\$ 68,254	\$ 10,289		\$ 333,794
Investments	500,000	210,519	140,000		850,519
Amount to be provided for retirement of general long-term debt	<u>755,251</u>	<u>278,773</u>	<u>150,289</u>	<u>171,563</u>	<u>171,563</u>
	\$ <u>755,251</u>	\$ <u>278,773</u>	\$ <u>150,289</u>	\$ <u>171,563</u>	\$ <u>1,355,876</u>
Liabilities and Fund Balance					
Payroll deductions	\$ 1,355				\$ 1,355
Compensated absences				<u>171,563</u>	<u>171,563</u>
Total liabilities	1,355			171,563	172,918
Fund balance	<u>753,896</u>	\$ <u>278,773</u>	\$ <u>150,289</u>		<u>1,182,958</u>
	\$ <u>755,251</u>	\$ <u>278,773</u>	\$ <u>150,289</u>	\$ <u>171,563</u>	\$ <u>1,355,876</u>

See notes to financial statements.

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES-ALL GOVERNMENTAL FUND TYPES-CASH BASIS
VAN BUREN DISTRICT LIBRARY
Year ended December 31, 2006

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	Total (Memorandum Only)
Revenues				
Taxes	\$ 980,245			\$ 980,245
Renaissance Zone	213,288			213,288
Intergovernmental	31,568			31,568
Charges for services	29,534			29,534
Penal fines	224,213			224,213
Interest	38,920	\$ 9,669	\$ 4,420	53,009
Webster Trust	89,514			89,514
Reimbursements	28,057			28,057
Miscellaneous	<u>36,894</u>	<u>5,082</u>		<u>41,976</u>
	1,672,233	14,751	4,420	1,691,404
Expenditures				
Salaries, wage and employee benefits	998,604			998,604
Supplies	30,097			30,097
Legal, professional and contracted services	52,086			52,086
Utilities	82,221			82,221
Maintenance	43,375			43,375
Books, magazines and periodicals	162,575			162,575
Audio-visual	29,812			29,812
Capital outlay	68,026			68,026
Miscellaneous	<u>40,550</u>			<u>40,550</u>
	<u>1,507,346</u>			<u>1,507,346</u>
Excess of revenues over expenditures	164,887	14,751	4,420	184,058
Other financing sources and uses				
Transfers in	8,396		34,400	42,796
Transfers out	<u>(34,400)</u>	<u>(8,396)</u>		<u>(42,796)</u>
	<u>(26,004)</u>	<u>(8,396)</u>	<u>34,400</u>	<u>- 0 -</u>
Excess of revenues and other sources over expenditures and other uses	138,883	6,355	38,820	184,058
Beginning fund balance	<u>615,013</u>	<u>272,418</u>	<u>111,469</u>	<u>998,900</u>
Ending fund balance	\$ <u>753,896</u>	\$ <u>278,773</u>	\$ <u>150,289</u>	\$ <u>1,182,958</u>

See notes to financial statements.

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL-
GENERAL AND SPECIAL REVENUE FUND TYPES-CASH BASIS
VAN BUREN DISTRICT LIBRARY
Year ended December 31, 2006

	<u>General Fund</u>		<u>Special Revenue Funds</u>		Variance Favorable (Unfavorable)
	<u>Amended Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	
Revenues					
Taxes	\$ 979,128	\$ 980,245			\$ 1,117
Renaissance Zone	213,000	213,288			288
Intergovernmental	31,500	31,568			68
Charges for services	29,500	29,534			34
Penal fines	219,000	224,213			5,213
Interest	39,000	38,920	\$ 7,600	\$ 9,669	\$ 2,069
Webster Trust	89,500	89,514			14
Reimbursements	27,500	28,057			557
Miscellaneous	35,500	36,894	2,000	5,082	3,082
	<u>1,663,628</u>	<u>1,672,233</u>	<u>9,600</u>	<u>14,751</u>	<u>5,151</u>
Expenditures					
Salaries, wages and employee benefits	1,019,458	998,604			20,854
Supplies	35,000	30,097			4,903
Legal, professional and contracted services	56,500	52,086			4,414
Utilities	89,000	82,221			6,779
Maintenance	47,000	43,375			3,625
Books, magazines and periodicals	165,000	162,575			2,425
Audio-visual	30,500	29,812			688
Capital outlay	70,000	68,026			1,974
Miscellaneous	124,670	40,550			84,120
	<u>1,637,128</u>	<u>1,507,346</u>			<u>129,782</u>
Excess of revenues over expenditures	26,500	164,887	9,600	14,751	5,151
Other financing sources (uses)					
Operating transfers in	8,000	8,396			396
Operating transfers out	(34,500)	(34,400)	(6,000)	(8,396)	(2,396)
	<u>(26,500)</u>	<u>(26,004)</u>	<u>(6,000)</u>	<u>(8,396)</u>	<u>(2,396)</u>
Excess of revenues and other sources over expenditures and other uses	\$ - 0 -	138,883	\$ 3,600	6,355	\$ 2,755
Beginning fund balance		<u>615,013</u>		<u>272,418</u>	
Ending fund balance		<u>\$ 753,896</u>		<u>\$ 278,773</u>	

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
VAN BUREN DISTRICT LIBRARY
December 31, 2006

Summary of significant accounting policies

The accompanying financial statements and budget information has been prepared using the cash basis of accounting.

A. Reporting Entity

The Library's financial statements include the accounts of all Library operations. The criteria for including organizations within the Library's reporting entity, as set forth in GASB No. 14, "The Financial Reporting Entity", is financial accountability.

B. Fund Accounting

The accounts of the Library are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures.

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the Library. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Project Fund - The Capital Project Fund accounts for other revenues to be used for authorized expenditures.

Long-Term Debt Group of Accounts - The purpose of this group of accounts is to record the total long-term debt of the Library.

The electors in the area served voted on April 30, 1991 to become a district library and to levy 1 mill for operations. The District Library serves all of Van Buren County except for the areas served by the Hartford, Lawton, Paw Paw and South Haven Libraries.

C. Deposits and Equivalents

Michigan Compiled Laws, Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Library considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Certificates of deposit with a maturity over three months are considered investments.

The Library's deposits are in accordance with statutory authority.

<u>Deposits</u>	<u>Book Carrying Amount</u>	<u>Bank Deposit Amount</u>
Insured	\$ 400,000	\$ 400,000
Uninsured and uncollateralized	<u>772,994</u>	<u>831,398</u>
Total deposits	\$ <u>1,172,994</u>	\$ <u>1,231,398</u>

Custodial credit risk is the risk that in the event of a bank failure, the library's deposits may not be returned to it. The library does not have a deposit policy for custodial credit risk. At year end, the library had \$620,036 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized.

The Library was given a mutual fund, value at date of gift was \$5,562. Cost value at December 31, 2006, with reinvested dividends: \$10,519. This investment is not insured and had a market value at December 31, 2006 of \$9,218.

D. Compensated Absences

Vacation leave is accrued as the benefits are earned by the employees, as the leave is attributable to past service and it is probable that the Library will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement. Sick leave is accrued as a liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination benefits, as well as other employees who are expected in the future to receive such payments. Such accumulations are reduced to the maximum amount allowed as a termination payment.

The liability for both vacation and sick leave include an accrual for the Library's share of social security and medicare taxes that would be due when the leave benefits are paid.

The compensated absence liability has been recorded in the general long-term debt account group.

E. Retirement Commitments

The Library has a pension plan covering all employees regularly scheduled to work 30 hours or more per week. The plan is non-contributory and the Library contributed 9.42% of compensation for eligible participants in 2005 and 2006. Employees are vested after ten years service. The pension expense amounted to \$93,241 for the year ended December 31, 2006, which included an additional contribution of \$50,000. The total payroll for the year was \$775,664 of which \$436,335 was covered by the pension plan.

F. Total Columns on Combined Statements-Overview

Total columns on the Combined Statements-Overview are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of these data.

G. Property Taxes

Property taxes attach as an enforceable lien on property as of December 31. Taxes are levied on the following December 1 and are due on February 14. Taxes levied by the District are collected by various municipalities and periodically remitted to the District. The 2006 levy is .8944 mill. Property taxes receivable at December 31, 2006 were approximately \$1,009,750.

H. Budgets

Budgets are adopted on the cash basis and are amended from time to time.

- I. Risk Management
The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. Commercial insurance has been purchased to protect the Library.
- J. Change in Reporting Format
GASB 34 requires certain governmental units to change their reporting format to allow for recognition of physical assets, depreciation expense and certain other items. The Library has not adopted this format.

COMBINING BALANCE SHEET-CASH BASIS
SPECIAL REVENUE FUNDS
VAN BUREN DISTRICT LIBRARY
December 31, 2006

	<u>Penal Fine</u> <u>Stabilization</u>	<u>Endowment</u>	Total (Memorandum Only)
Assets			
Cash and equivalents		\$ 68,254	\$ 68,254
Investments (at cost)	\$ <u>200,000</u>	<u>10,519</u>	<u>210,519</u>
	\$ <u>200,000</u>	\$ <u>78,773</u>	\$ <u>278,773</u>
Liabilities and Fund Balance			
Fund balance	\$ <u>200,000</u>	\$ <u>78,773</u>	\$ <u>278,773</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-CASH BASIS-SPECIAL REVENUE FUNDS
Year ended December 31, 2006

Revenues			
Interest	\$ 7,631	\$ 2,038	\$ 9,669
Dividends		1,138	1,138
Contributions		<u>3,944</u>	<u>3,944</u>
	<u>7,631</u>	<u>7,120</u>	<u>14,751</u>
Expenditures	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>
Excess of revenues over expenditures	7,631	7,120	14,751
Transfer to other funds	<u>(7,631)</u>	<u>(765)</u>	<u>(8,396)</u>
Excess of revenues and other sources over expenditures and other uses	- 0 -	6,355	6,355
Beginning fund balance	<u>200,000</u>	<u>72,418</u>	<u>272,418</u>
Ending fund balance	\$ <u>200,000</u>	\$ <u>78,773</u>	\$ <u>278,773</u>

COMBINING BALANCE SHEET-CASH BASIS
CAPITAL PROJECTS FUNDS
VAN BUREN DISTRICT LIBRARY
December 31, 2006

	<u>Automation</u>	<u>Vehicle Replacement</u>	Total (Memorandum Only)
Assets			
Cash and equivalents	\$ 838	\$ 9,451	\$ 10,289
Investments	<u>115,000</u>	<u>25,000</u>	<u>140,000</u>
	\$ <u>115,838</u>	\$ <u>34,451</u>	\$ <u>150,289</u>
Liabilities and Fund Balance			
Fund balance	\$ <u>115,838</u>	\$ <u>34,451</u>	\$ <u>150,289</u>

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES-CASH BASIS-CAPITAL PROJECTS FUNDS
Year ended December 31, 2006

Revenues			
Interest	\$ 3,325	\$ 1,095	\$ 4,420
Expenditures	<u>- 0 -</u>	<u>- 0 -</u>	<u>- 0 -</u>
Excess of revenues over expenditures	3,325	1,095	4,420
Transfer from General Fund	<u>31,400</u>	<u>3,000</u>	<u>34,400</u>
Excess of revenues and other financing sources over expenditures and other uses	34,725	4,095	38,820
Beginning fund balance	<u>81,113</u>	<u>30,356</u>	<u>111,469</u>
Ending fund balance	\$ <u>115,838</u>	\$ <u>34,451</u>	\$ <u>150,289</u>

BALANCE SHEET-CASH BASIS
GENERAL FUND
VAN BUREN DISTRICT LIBRARY
December 31

	<u>2006</u>	<u>2005</u>
Assets		
Cash and equivalents	\$ 255,251	\$ 316,282
Investments	500,000	300,000
Property taxes receivable	<u> </u>	<u>946,741</u>
Total assets	\$ <u>755,251</u>	\$ <u>1,563,023</u>
Liabilities and Fund Balance		
Payroll deductions-insurance	\$ 1,355	\$ 1,269
Deferred revenue	<u> </u>	<u>946,741</u>
Total liabilities	1,355	948,010
Fund balance	<u>753,896</u>	<u>615,013</u>
	\$ <u>755,251</u>	\$ <u>1,563,023</u>

STATEMENT OF CHANGES IN FUND BALANCE-CASH BASIS
Year ended December 31

	<u>2006</u>	<u>2005</u>
Revenues	\$ 1,672,233	\$ 1,547,630
Expenditures	<u>1,507,346</u>	<u>1,364,037</u>
Excess of revenues over expenditures	164,887	183,593
Other financing sources and uses		
Transfers from other funds	8,396	7,075
Transfers to other funds	<u>(34,400)</u>	<u>(4,000)</u>
	<u>(26,004)</u>	<u>3,075</u>
Excess of revenues and other sources over expenditures and other uses	138,883	186,668
Beginning fund balance	<u>615,013</u>	<u>428,345</u>
Ending fund balance	\$ <u>753,896</u>	\$ <u>615,013</u>

STATEMENT OF REVENUES-BUDGET AND ACTUAL-CASH BASIS
GENERAL FUND
VAN BUREN DISTRICT LIBRARY
Year ended December 31

		<u>2006</u>		
	Amended <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>2005</u>
Property tax	\$ 979,128	\$ 980,245	\$ 1,117	\$ 1,140,549
Renaissance Zone	213,000	213,288	288	
State aid	31,500	31,568	68	38,005
Charges for services	29,500	29,534	34	29,354
Penal fines	219,000	224,213	5,213	215,684
Interest	39,000	38,920	(80)	17,667
Webster Trust	89,500	89,514	14	88,157
Memorial gifts	3,500	4,076	576	910
Reimbursements	27,500	28,057	557	11,674
Miscellaneous	<u>32,000</u>	<u>32,818</u>	<u>818</u>	<u>5,630</u>
	\$ <u>1,663,628</u>	\$ <u>1,672,233</u>	\$ <u>8,605</u>	\$ <u>1,547,630</u>

STATEMENT OF EXPENDITURES-BUDGET AND ACTUAL-CASH BASIS
GENERAL FUND
VAN BUREN DISTRICT LIBRARY
Year ended December 31

		<u>2006</u>		
	Amended Budget	Actual	Variance Favorable (Unfavorable)	<u>2005</u>
Salaries and wages	\$ 773,758	\$ 762,824	\$ 10,934	\$ 730,644
Payroll taxes	60,000	59,338	662	56,898
Employee benefits	89,700	83,201	6,499	77,890
Pension and deferred compensation	96,000	93,241	2,759	40,950
Office supplies	29,000	25,626	3,374	22,496
Operating supplies	6,000	4,471	1,529	4,259
Legal and professional	20,000	18,173	1,827	9,784
Contracted services- cooperative	16,500	16,148	352	19,441
Utilities	89,000	82,221	6,779	63,022
Travel	8,000	6,146	1,854	4,199
Promotional	12,000	11,043	957	9,129
Contracted janitor services	20,000	17,765	2,235	20,712
Insurance	12,700	10,530	2,170	10,544
Maintenance	47,000	43,375	3,625	43,164
Capital outlay	70,000	68,026	1,974	49,130
Books	150,000	148,897	1,103	143,967
Magazines and periodicals	15,000	13,678	1,322	14,365
Audio-visual	30,500	29,812	688	29,184
Internet fees	9,000	8,358	642	9,067
Miscellaneous	6,000	4,473	1,527	5,192
Contingency	<u>76,970</u>	<u> </u>	<u>76,970</u>	<u> </u>
	\$ <u>1,637,128</u>	\$ <u>1,507,346</u>	\$ <u>129,782</u>	\$ <u>1,364,037</u>

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February 2, 2007

Van Buren District Library
200 North Phelps Street
Decatur, Michigan

The audit work necessary to express an opinion on the financial statements of Van Buren District Library included a review of the Library's accounting procedures and the related internal controls. As a result of this review we offer comments and recommendations for your consideration.

Internal Controls

There is not adequate segregation of duties in the accounting function. However, because of lack of personnel, this situation is not unusual in small governmental units.

The above comments are submitted to you to develop good accounting practices and are not intended to reflect upon the performance of any library employee.

Cutting & Cutting, P.C.